

31 October 2012



Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Irish Responses October 2012 Bank Lending Survey

Results Summary:

- During the third quarter of 2012 credit standards were unchanged in respect of loans to enterprises.
- The demand for loans from enterprises increased during the third quarter of 2012.
- Credit standards tightened on loans to households for house purchases as well as consumer credit and other lending during the third quarter of 2012.
- The demand for loans in respect of mortgage lending increased during the third quarter of 2012. At the same time loan demand regarding consumer credit and other lending was unchanged.
- Access to retail deposits eased during the third quarter of 2012 with a further easing anticipated during the fourth quarter of 2012. For the most part, access to wholesale funding was unchanged.

The euro-area Bank Lending Survey is completed each quarter and examines credit market conditions with a distinction made between loans to enterprises and households and a further distinction made between loans to households for house-purchases as well as consumer credit and other lending. A detailed note examining the euro area responses can be found through the following link [euro area results](#). Occasionally, the survey is supplemented with ad-hoc questions relating to topical issues in financial markets for which limited data exist e.g. impact of Basel III. Five Irish banks participate in the survey although not all banks answer all questions due to their business model. Given the survey nature of the questionnaire, the responses are qualitative.

1. Enterprises

The October 2012 Bank Lending Survey (BLS) examined changes in credit market conditions regarding loans or credit lines to enterprises during the third quarter of 2012 along with expectations of changes in credit standards as well as loan demand during the fourth quarter of 2012.

During the third quarter of 2012 credit standards were unchanged on loans to enterprises across all categories examined and this is documented in Table 1.

Table 1: Changes in Credit Standards on Loans to Enterprises.

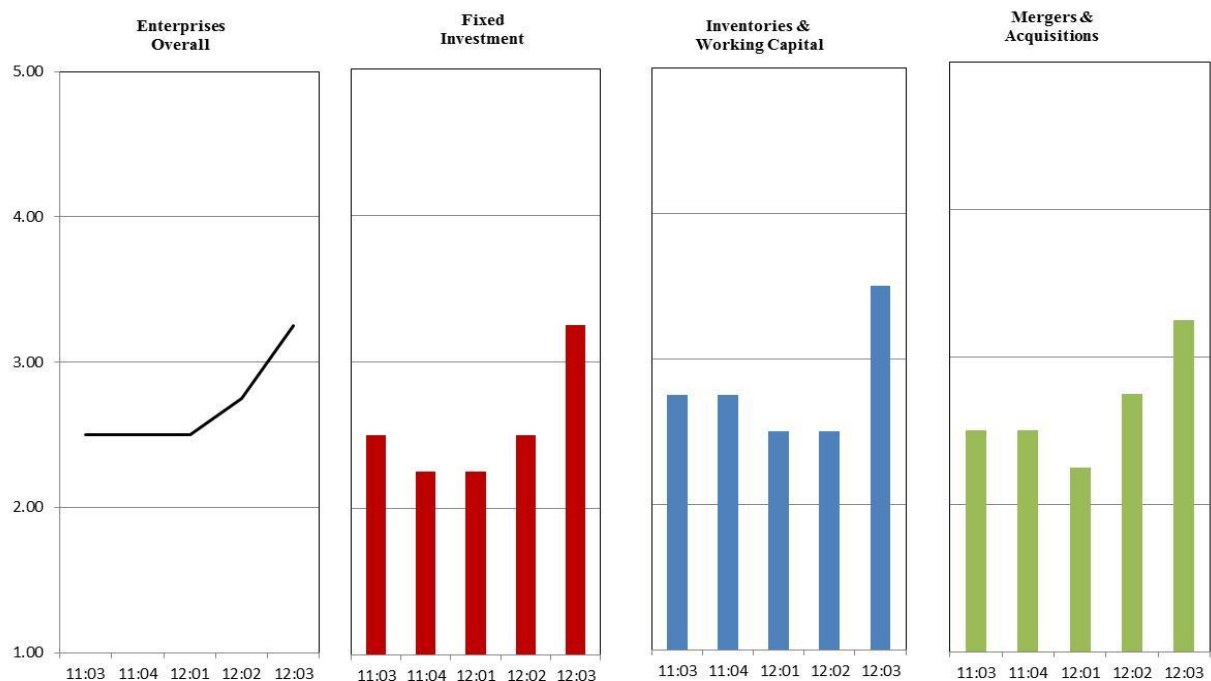
		Q2 2012	Q3 2012
Enterprises:	Overall	3.00	3.00
	Small/medium enterprises	3.00	3.00
	Large enterprises	3.00	3.00
	Short-term loans	3.00	3.00
	Long-term loans	3.00	3.00

Key: A response less than 3 denotes a tightening of credit standards, a response equal to 3 corresponds to unchanged credit standards and a response greater than 3 indicates an easing of credit standards.

All of the factors impacting credit standards that banks were asked to evaluate had no impact on credit standards during the third quarter of 2012. Similarly, most of the loan terms and conditions impacting banks' credit standards were unchanged although an increase in loan margins was recorded during the third quarter of 2012.

During the third quarter of 2012, an increase in loan demand from enterprises was reported and this is represented in Figure 1. The increase in demand was entirely attributed to an increase in the financing needs of enterprises as opposed to any change in the external financing patterns of businesses. Borrowing funds for fixed investment, greater expenditure on inventories, and increased levels of mergers & acquisitions activity all contributed to the increase in loan demand.

Figure 1: Changes in Loan Demand Regarding Enterprises and Factors Affecting Loan Demand.



Key: A response between less than 3 denotes a decrease in loan demand, a response equal to 3 corresponds to unchanged loan demand and a response greater than 3 indicates an increase in loan demand.

During the fourth quarter of 2012, credit standards are expected to remain unchanged. At the same time, a decrease in loan demand is forecast with the exception of lending to small and medium sized enterprises.

2. Households

During the third quarter of 2012, credit standards tightened in respect of mortgage lending as well as consumer credit and other lending and this is recorded in Table 2.

Table 2: Changes in Credit Standards on Loans to Households.

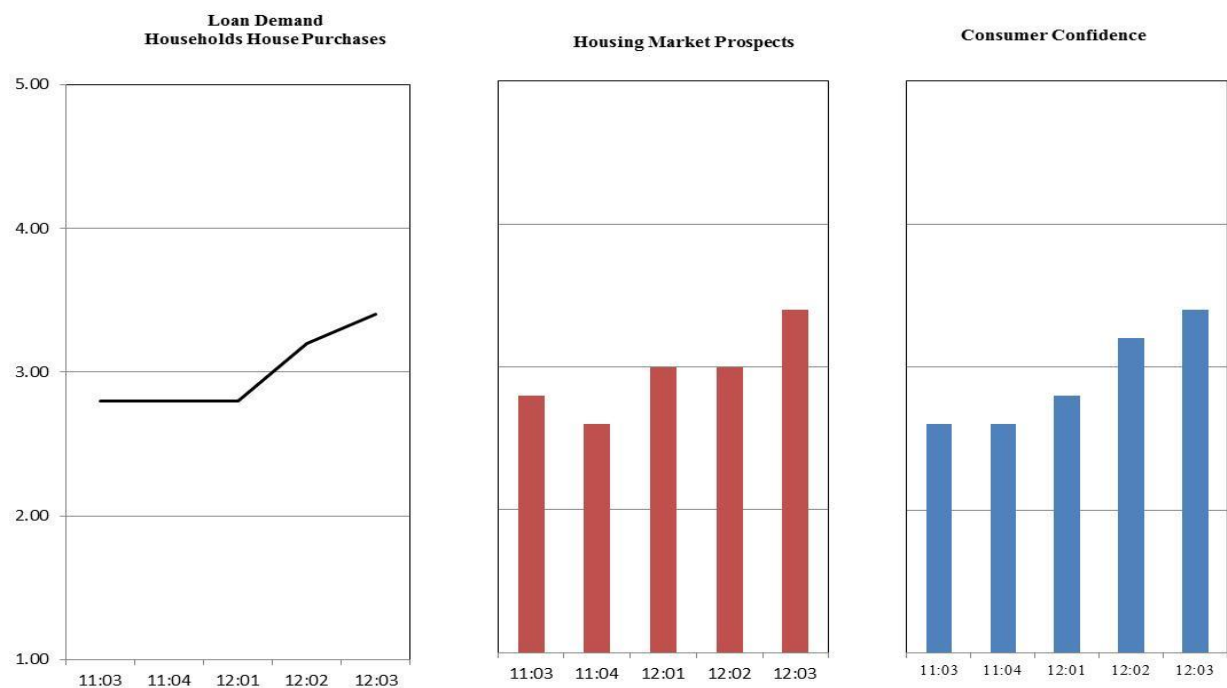
		Q1 2012	Q2 2012	Q3 2012
Households:	House Purchases	2.60	2.80	2.60
	Consumer Credit and other lending	3.00	3.00	2.75

Key: A response less than 3 denotes a tightening of credit standards, a response equal to 3 corresponds to unchanged credit standards and a response greater than 3 indicates an easing in credit standards.

Less favourable expectations regarding economic activity and more restrictive loan margins were reported regarding the tightening of credit standards on loans to households for house purchases. In contrast, all of the factors impacting credit standards along with loan terms and conditions in respect of consumer lending that banks were asked to evaluate were unchanged.

During the third quarter of 2012, the demand for loans from households for house purchases increased and this was attributed to more upbeat prospects for the housing market along with increased levels of consumer confidence as Figure 2 illustrates.

Figure 2: Changes in Loan Demand Regarding House Purchases and Factors Impacting Loan Demand.



Key: A response less than 3 denotes a decrease in loan demand, a response equal to 3 corresponds to unchanged demand and a response greater than 3 indicates an increase in loan demand.

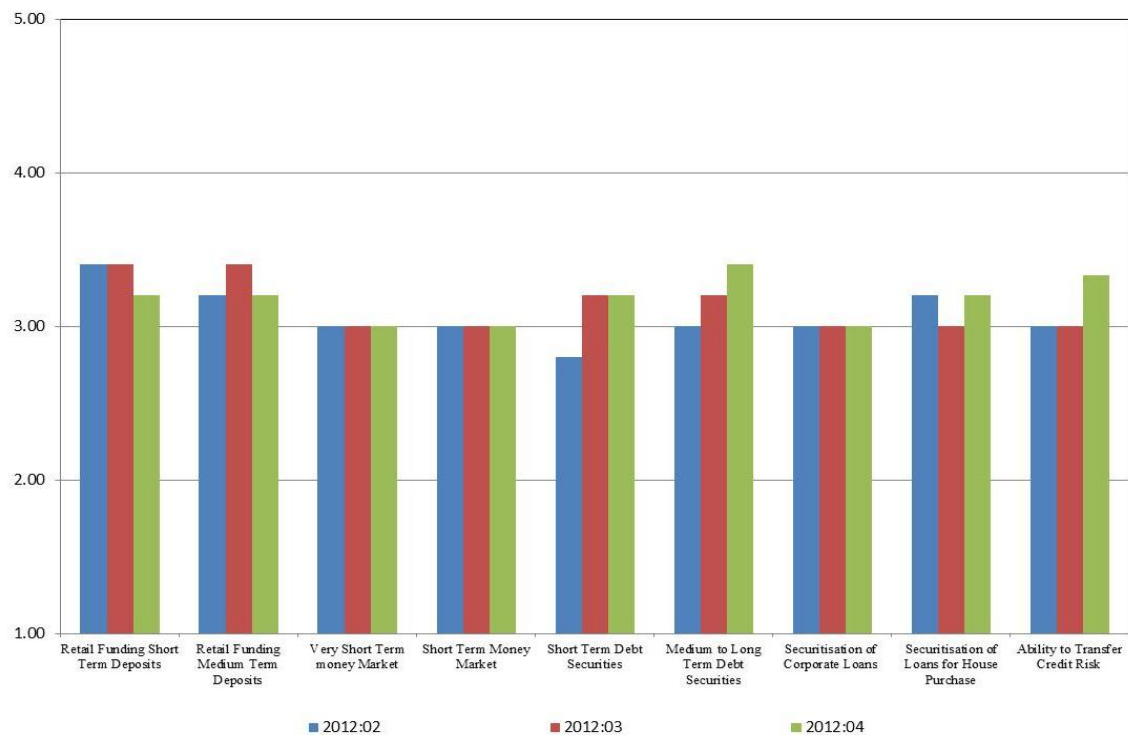
In contrast, the demand for consumer credit and other lending was unchanged during the third quarter of 2012 with all the factors impacting consumer credit and other lending also unchanged.

During the fourth quarter of 2012, credit standards are forecast to ease on loans to households for house purchases as well as consumer credit and other lending. At the same time, loan demand from households for house purchases as well as consumer credit and other lending is expected to increase.

Ad-Hoc Questions

Two supplementary questions examining (i) access to retail and wholesale funding sources, and (ii) the impact of the Sovereign debt crisis on banks' funding position and credit standards were also included. An easing in access to retail funding along with short and medium term debt securities was reported during the third quarter of 2012. Otherwise, access to wholesale funding sources was unchanged. During the final quarter of 2012, access to retail and wholesale funding sources is expected to ease with the exception of inter-bank unsecured money markets along with the securitisation of corporate loans and this is represented in Figure 3.

Figure 3: Access to Retail and Wholesale Funding Sources.



Key: 1 = deteriorated considerably / will deteriorate considerably, 2 = deteriorated somewhat / will deteriorate somewhat, 3 = remained unchanged / will remain unchanged, 4 = eased somewhat / will ease somewhat, 5 = eased considerably / will ease considerably.

Finally, some easing in banks' funding conditions due to a reduction in tensions associated with the sovereign debt market was reported. At the same time, credit standards were not directly affected by developments in the sovereign debt markets.